MD Financial Management

Frequently asked questions

1. Is it possible to receive all my tax slips at the same time?
Unfortunately, this is not possible. MD Financial Management (MD) is required by federal regulations to mail most tax slips or make them available electronically by the end of February. However, information for investments in income trusts and publicly traded limited partnerships is not reported to MD until the end of February. Once that information is received, MD processes it and issues tax slips to clients as soon as possible. The ones issued separately include the following:

- tax slips for registered plan income
- slips for registered retirement savings plan (RRSP) contributions made between March 2 and December 31, 2020
- slips for RRSP contributions made during the first 60 days of 2021
- mutual fund tax slips, issued directly by the mutual fund company whose funds you held during the 2020 calendar year
- unit trust slips and limited partnership unit slips
- non-resident slips

2. Will I receive a T3 or T5 tax slip from every mutual fund I've invested in?
MD issues separate T3 and T5 tax slips, when applicable, for each MD mutual fund in non-registered accounts. A T5 tax slip is created when the MD Growth Investments Limited mutual fund makes a distribution.

If you own non-MD funds in your non-registered MD account, you will receive T3/Relevé 16 tax slips and other regulatory documentation directly from third-party fund companies.

3. Why have I received more than one T3 or T5 tax slip?
T3 tax slips from the MD Family of Funds, prepared in February, represent income from all applicable MD mutual funds. Unit trust information (representing 2019 tax year distributions) is not available until March, so it is sent as a separate tax slip. Interest income in non-registered accounts — including interest on investments in guaranteed term deposits and equity income — is reported on a T5 tax slip from MD.

4. Why are my unit trust distributions not fully taxable?
Often, only a portion of a unit trust's monthly distribution is taxable. The remaining amount generally represents a return of capital, which is typically not taxable at the time of distribution; however, your adjusted cost base in the units of the fund is reduced by the amount of this

return of capital. Upon a future sale of some or all of the units, this will result in either an increased capital gain or a reduced capital loss.

5. Why am I receiving an NR4 tax slip?
Non-residents of Canada who earn income in non-registered accounts or who make a withdrawal from a registered account receive an NR4 tax slip.

- Non-registered accounts: Income earned is generally subject to Canadian non-resident withholding tax. The tax rate varies according to the type of income and a non-resident's country of residence. This tax is withheld when income is earned in the account and is remitted to the Canada Revenue Agency.
- Registered accounts: Certain withdrawals by a non-resident are also subject to Canadian non-resident withholding tax. This tax is withheld at the time of withdrawal and is remitted to the Canada Revenue Agency.

6. What does the "taxable amount of dividends" mean on my T3 and T5 tax slips?
This is often referred to as the "grossed-up" amount of dividends.

• For eligible dividends: The "taxable amount of eligible dividends" represents 138% of the fund's actual eligible dividends received from Canadian public corporations and distributed to unitholders.
• For other dividends: The "taxable amount of dividends other than eligible dividends" represents 115% of the fund's actual ineligible dividends received from Canadian public corporations and distributed to unitholders.

An offsetting federal dividend tax credit can be used on your personal T1 tax return to reduce your tax liability, equal to 15.0198% of eligible and 9.0301% of ineligible taxable amounts.

Most provinces apply a similar dividend tax credit, worth approximately one-half of the federal tax credit.

If you are a resident of Quebec, you will also receive a corresponding Relevé 16 slip that reports both eligible and ineligible Canadian actual and taxable dividend amounts.

7. How are foreign dividends reported on my T3 tax slip?
Dividends received from foreign corporations are not subject to the "gross-up," nor are they eligible for the dividend tax credit. Instead, they are reported as "foreign non-business income" on your T3 tax slip.

8. What type of income does MD Growth distribute to shareholders?

MD Growth is MD's only mutual fund corporation and is not treated the same way as a mutual fund trust. Income distributed from the fund is typically distributed as dividends to its unitholders and is reported on a T5 tax slip. During 2019, MD Growth made no distributions.

9. Will I receive a tax slip for my tax-free savings account (TFSA)?
No. The TFSA is a tax-free savings account and, generally, you would not receive any tax slips for investments in this account.

10. What if I file my tax return and then receive a tax slip in the mail or electronically?
You will need to file a T1-ADJ form to amend your tax return. Find and download this form at www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1-adj.html.

To avoid having to amend your tax return, please do not file it until you are sure you have received all your tax slips.

Quebec residents must also complete and file a TP-1.R-V form with Revenu Québec. This form is available online at www.revenuquebec.ca/en/online-services/forms-and-publications/current-details/tp-1.r-v.

11. What is a spousal or common-law-partner RRSP?
It can be any RRSP:

- to which the annuitant's spouse or common-law partner contributed,
- that received payments or transfers of property from RRSPs to which the spouse or common-law partner contributed, or
- that received payments or transfers of property from registered retirement income funds (RRIFs) to which the annuitant transferred amounts from other spousal or common-law partner RRSPs.

12. What are the anti-avoidance rules regarding spousal or common-law partner RRSPs?
When your spouse or common-law partner makes a withdrawal from a spousal or common-law partner RRSP to which you contributed, this withdrawal may be taxable to you. The taxable amount is the portion of the withdrawal that represents any spousal or common-law-partner RRSP contributions you made in the year of the withdrawal or in either of the two preceding years.

This attribution rule does not apply if:

- you are living separately due to marriage breakdown,
- the spousal or common-law-partner RRSP has been converted to a RRIF and no more than the minimum RRIF payment or regular annuity payment is withdrawn,
- you and your spouse or common-law partner are non-residents of Canada, or
- your spouse or common-law partner makes withdrawals in the year of your death.

13. Can my T4RSP be completed with a "no" for a contributor spouse or common-law partner when it is a spousal or common-law partner RRSP?
Yes. The attribution rules may no longer be applicable to your situation, possibly due to divorce or the contributor's passing. If specific requirements are met, the spousal information can be removed from T4RSP or T4RIF tax slips. Contact your MD Advisor* or the MD Trade Centre at 1 800 267-2332 to make this change.

14. Why did I not receive paper copies of my MD Direct Trade™ documents?
MD Direct Trade clients get digital copies at no charge or paper copies for $6 per month, according to the preference they indicate on their account. If you want to update your preferences, log into your MD Direct Trade account, click "Service centre," choose the option "Sign up for e-documents" and then changing your preferences from "online" to "mail."

15. Why did I not receive a digital copy of my MD Direct Trade™ T3?
MD Direct Trade™ T3s issued by MD will be paper only, regardless of client preference.

* MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec), or an MD Private Investment Counsel Portfolio Manager.

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